

State of Alaska FY2003 Governor's Operating Budget

Department of Community & Economic Development Alaska Energy Authority Power Cost Equalization Component Budget Summary

Component: Alaska Energy Authority Power Cost Equalization

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Component Mission

To reduce the cost of electricity for residential consumers and community facilities in rural Alaska.

Component Services Provided

The Power Cost Equalization (PCE) program has paid a portion of the monthly electric bills of rural consumers since 1985. The cost of power in rural Alaska is up to five times greater than the cost of power in urban Alaska. PCE funding is provided for 95 rural electric utilities, which collectively serve 192 communities and 76,000 residents across the state.

Legislation enacted in 1999 limits PCE eligibility to residential consumers and community facilities. Residential consumers can receive PCE support for up to 500 kilowatt hours per month. A monthly usage cap is also defined for community facilities - however, electricity consumption in this category is typically below the cap. As a result, PCE support can be paid for all of the electricity used for community facilities in most cases.

Legislation enacted in 2000 created a PCE endowment with an initial deposit of \$100 million. AEA anticipates that an additional \$80 million will be deposited in the PCE endowment during FY02 consisting primarily of the proceeds from Four Dam Pool divestiture. Endowment earnings are projected to provide approximately \$7 million for PCE in FY02 and approximately \$12 million per year for PCE beginning in FY03.

Component Goals and Strategies

Continue to issue timely and accurate PCE payments to 95 electric utilities serving 192 eligible communities.

Assist rural electric utilities in collecting the information and submitting the necessary reports to obtain PCE benefits.

Prepare an annual statistical report on rural electric utility sales, costs, rates, and benefits based on monthly PCE reports.

Continue to provide administrative training, when necessary, to electric utility staff to promote self sufficient and reliable utility record keeping and administration.

Key Component Issues for FY2002 – 2003

The FY02 amount available from the PCE endowment appropriation is based on 7% of the market value of the fund on February 1, 2001 or \$7,062,156.58. This amount was inadvertently not appropriated to the PCE Rural Electric Capitalization fund for use in FY02. Corrective action will be requested in the FY02 supplemental.

The endowment is expected to generate approximately \$12 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. Based on the \$15.7 million appropriation level for FY02, the program has been prorated to 92% for community participants. In addition to the PCE endowment earnings, \$2.14 million in other funds must be appropriated to the PCE fund to maintain the PCE program at the \$15.7 million funding level in FY03.

Because of increased fuel costs, the PCE program is expected to cost \$16.96 million in FY03 to operate the program at the statutorily established level.

Major Component Accomplishments in 2001

Issued PCE payments in the amount of \$17.0 million.

Issued PCE statistical report for FY00.

Provided information as needed to the electric utilities, PCE communities, the Governor and Legislature in connection PCE Legislation.

Statutory and Regulatory Authority

AS 42.45

Alaska Energy Authority Power Cost Equalization

Component Financial Summary

All dollars in thousands

	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	0.0	0.0	0.0
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	16,960.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	16,960.0
Funding Sources:			
1089 Power Cost Equalization Fund	0.0	0.0	16,960.0
Funding Totals	0.0	0.0	16,960.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2001 Actuals	FY2002 Authorized	FY2002 Cash Estimate	FY2003 Governor	FY2004 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Power Cost Equalization	51404	0.0	0.0	0.0	16,960.0	16,960.0
Restricted Total		0.0	0.0	0.0	16,960.0	16,960.0
Total Estimated Revenues		0.0	0.0	0.0	16,960.0	16,960.0

Alaska Energy Authority Power Cost Equalization
Proposed Changes in Levels of Service for FY2003

None.

Summary of Component Budget Changes
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	0.0	0.0
Adjustments which will continue current level of service:				
-Transfer funding from Rural Energy BRU to new AK Energy BRU and component	0.0	0.0	15,700.0	15,700.0
Proposed budget increases:				
-Increase PCE Authorization	0.0	0.0	1,260.0	1,260.0
FY2003 Governor	0.0	0.0	16,960.0	16,960.0